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STATISTICAL BULLETIN

Highlights

- CAR SALES ARE SLUGGISH, WHILE HOME BUYING CONTINUES TO FALTER
- AND CONSUMER DEMAND FOR OTHER DURABLE GOODS IS DECLINING
- BUT NEW ORDERS HAVE IMPROVED
- AND EXPORT GROWTH HAS QUICKENED
- SO INDUSTRIAL CONDITIONS HAVE BRIGHTENED SOMEWHAT
- AND LABOR MARKET ACTIVITY IS EXPANDING
- HOWEVER, INCOME GROWTH SHOWS NO SIGN OF QUICKENING
- OUTLOOK • AVERAGE ECONOMIC GROWTH OF 2½% OVER THE SECOND HALF OF 1987 AND ALL OF 1988

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Statistical Reference Index
Acquisitions
4520 East West Highway - Suite 800
Bethesda MD 20814

Volume 20, No. 12, August, 1987

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: As the second half of 1987 got underway, some forecasts became easier to call. One of the safest calls is that wage-income growth is unlikely to accelerate. That will clearly limit the growth of consumer demand. As spending growth falters, durable-goods inventory will continue to pile up, and/or industrial production growth will be constrained. The good news is that rising labor costs are not putting upward pressure on prices at present.

A second factor in the outlook is that the news on the trade front continues to be good. A cheaper dollar, slow-growth in consumer demand, and other factors are dampening imports. Meanwhile, exports have picked up, except those destined for European markets. The improved trade picture is generating some rise in domestic output. In the process, labor demand is being stimulated, albeit modestly.

One other important factor affecting the second-quarter outlook is recovering business investment. In fact, recently revised statistics show that investment data were previously overstated. That may indicate that equipment requirements have been understated.

DOMESTIC MARKET MONITOR

July's good news about the labor market needs to be qualified. It's true that job growth surged. But three-fourths of those new jobs were part-time. Moreover, the total number of hours worked was no higher in July than in May. And, the employed portion of the adult population was at the same level in July as in May.

Still, there was some genuine good news. New hiring is likely to continue in the second half of this year. The Conference Board's **Help-wanted Index**, a measure of change in labor demand, was substantially higher in June than one year earlier. Moreover, early returns to the July survey suggest that job advertising continued to rise.

Another positive sign was the wide dispersion of new hiring. Nondurable-manufacturing employment has been inching up. And, with the exception of the motor-vehicle industry, jobs in durable manufacturing revived in July.

INCOME: Average hourly pay rates in private industry remain flat. The average rate was $8.96 in July, compared with $8.95 in May.

Given no real rise in hourly rates, and not much change in total hours worked, wage-income growth remains modest. Wage income in commodity-producing industry was only 0.3% higher in June than 3 months earlier. Wages in other industries were 1.7% higher. Nonwage income may be slowing.

Consumers continue to hold down borrowing. The net change in installment debt was no higher in June than the modest rise in April. Given rising income, overall consumer indebtedness continues to fall. But slow income growth and little change in borrowing are stifling demand.

On a brighter note, consumer attitudes were more positive at mid-1987 than at anytime since late 1984. Consumers have upgraded their assessment of present business conditions but remain skeptical about the outlook over the next 6 months.

SPENDING: The rise in buying has clearly slowed. Nondurable retail sales were 0.4% higher in June than 3 months earlier. Sales of durables, except cars, were 17.5% lower. Spending on services has been a little stronger than retail sales.

New domestic **Automobile Sales** remain sluggish. The seasonally adjusted annual rate in July was no higher than in April. And even though foreign-model sales quickened a bit in July, they were slower than those through much of 1986.

CONSTRUCTION: The housing slump remains deep and pervasive. Single-family sales were 8.6% lower in June that 3 months earlier. Even if mortgage rates come down a bit, home prices will continue to climb. The sales slump is causing building cutbacks in most regions of the country. Multi-unit housing is in no better shape.

Nonresidential construction, which seemed to be coming out a slump, fell sharply in June. Spending on industrial building was the only segment that continued to recover from earlier cutbacks.

PRODUCTION: Recent gains in output have been fairly strong but narrowly concentrated. Raw-material output is rising sharply, as energy production recovers. Production of business equipment was 0.2% higher in June than 3 months earlier. Defense- and space-related material was 0.5% higher. But finished consumer goods were 0.3% lower. Moreover, the data on hours worked in July indicate that production probably did not rise that month.

Recent gains in output have not generated any move to employ idle resources. The overall capacity utilization rate stood at 79.7% in June, compared with 79.6% in March. And without increases in mining and utilities, the overall rate would have declined. Capacity use in manufacturing was 80.1% in June, compared with 80.3% in March.

The improvement in industrial conditions is tied to the recent pickup in new orders. Total new orders for durable goods were 2.4% higher in June than 3 months earlier. Ship-

Ken Goldstein, Editor

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

© 1987 The Conference Board, Inc.
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New York, New York 10022

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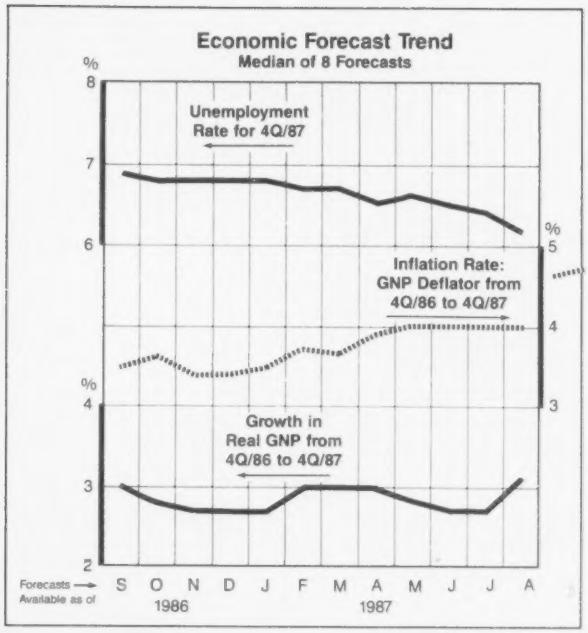


ments of old orders were 0.2% lower. Thus, a backlog of unfilled orders is developing. Even if production was flat in July, production schedules will probably be stepped up in order to work off the backlog. That may be what's behind the gain, albeit modest, in both durable and nondurable manufacturing employment.

Two other noteworthy points: 1) Not all the gain in new orders was defense related (nondefense capital goods orders were up 7.9%, and all other nondefense orders were 6.2% higher.) Second, orders were up for both raw materials and for finished goods.

INVENTORY: One reason production gains haven't been stronger is that inventory , especially of durable goods, has been accumulating—no doubt due to the drop in consumer buying. Auto inventory at the retail level was 4.1% higher in May than 3 months earlier; other durable goods at the retail level were 2.6% higher.

INFLATION: Raw industrial commodity prices were recovering, even when industrial conditions were sluggish. It isn't surprising, then, that prices for these commodities jumped 1.1% in July, following a 1.3% rise in June.

The rise in farm prices has slowed, however. Crop prices were only 2.3% higher in July than 3 months earlier. But prices paid by farmers have started to rise and that might exert upward pressure on food prices. Higher food and recovering energy prices are showing up at the wholesale level. But wholesale prices for finished consumer goods, except food and energy, were flat in July and June. And the CPI rose by 0.3% or 0.4% in each of the last 5 months.

Lackluster buying is probably preventing higher commodity prices from being passed on to the consumer. The consensus of the **Economic Forecasts** is for an annualized 4½% to 5% rise in the CPI in the fourth quarter of this year. The increase in the CPI is not expected to exceed 5½% through the forecast horizon (third quarter of 1989.)

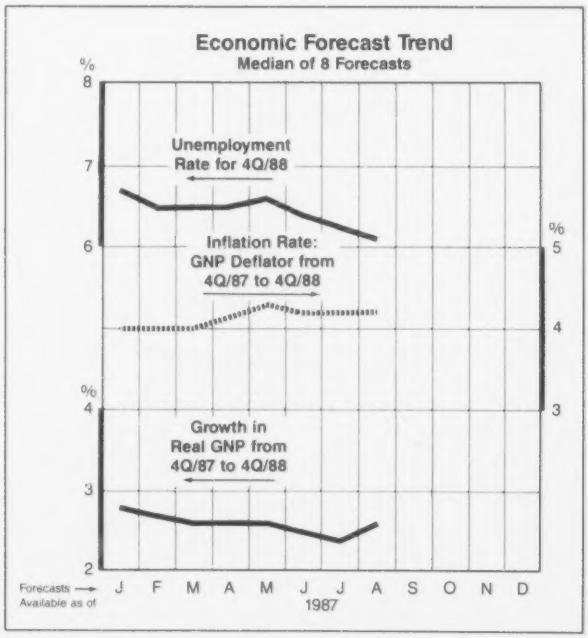
INTERNATIONAL MONITOR

One continuing bright spot is the slow rise in imports. Shipments of manufactured products were 4.3% higher in May than 3 months earlier. And that reflects a 17% rise in imports of aircraft and parts. With that one exception, imports of manufactured goods are rising quite modestly.

Export growth has picked up a bit. Total exports were 9.5% higher in May than 3 months earlier. Exports of manufactured products were 10.3% higher, despite a 16% drop in aircraft and parts. With that one exception, export growth has clearly improved.

Export growth was widely diffused, except for shipments to the EEC (which were 4.1% lower in May than 3 months earlier) and to other European countries (0.3% lower.)

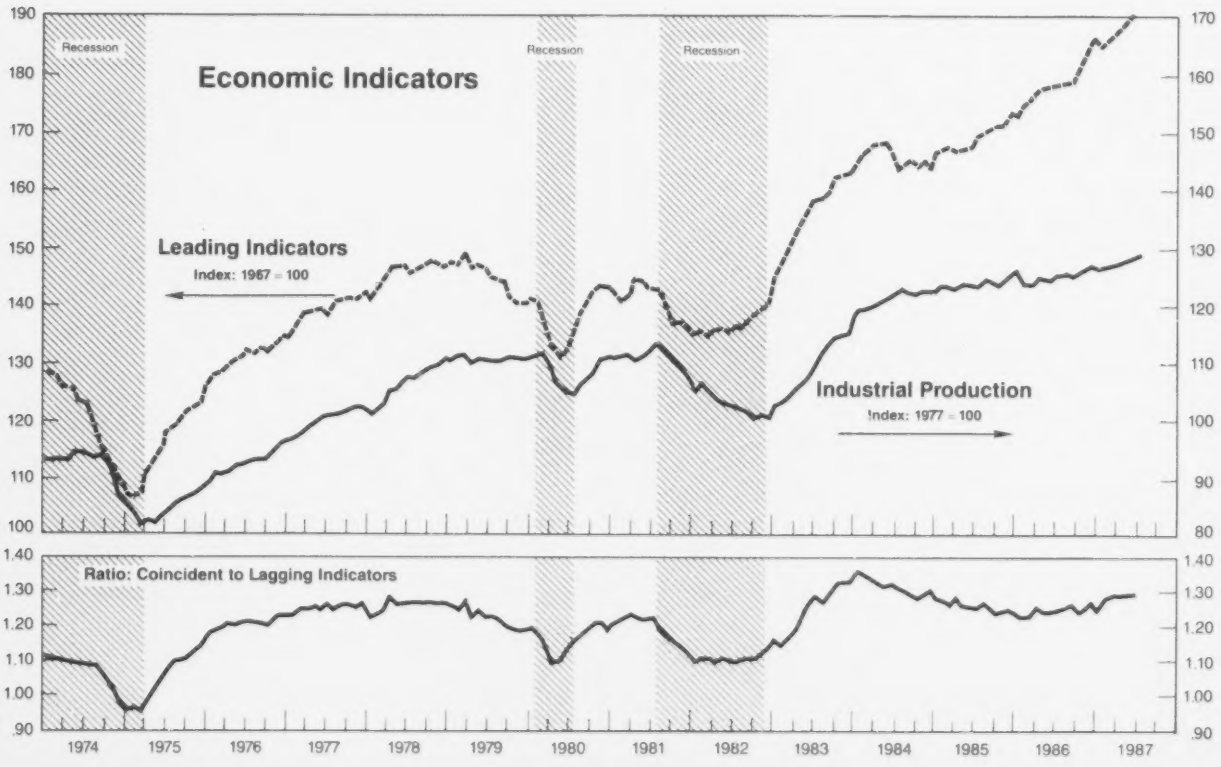
Ken Goldstein
August 13, 1987



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Jun.	X			1.4%	6.8%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Jun.	X			6.4%	9.7%
New orders, nondefense capital goods (deflated)	Jun.		X		5.1%	9.1%
*New business formation	Jun.			X	- 3.9%	- 1.5%
*Housing permits	Jun.			X	-11.7%	-15.4%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Jun.		X		- 1.0%	5.7%
*Change in inventory, on hand & order (deflated)	May		X		13.3%	-15.9%
Purchasing agents' buying policy	Jun.			X	- 3.0%	0.0%
*Vendor performance, reported slower deliveries	Jun.			X	2.0%	7.0%
Industrial raw materials prices	Jul.	X			11.7%	24.6%
*Change in sensitive material prices	Jun.	X			1.6%	1.3%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Jun.			X	- 0.5%	2.7%
Change in business loans	Jun.		X		- 64.7%	145.0%
*Change in credit outstanding	May			X	4.0%	- 3.4%
Change in consumer installment debt	May			X	-18.8%	-57.6%
Profitability						
Total corporate profits, after tax (deflated)	1st.Q			X	- 5.2%	- 7.5%
*Common stock prices	Jul.	X			6.3%	28.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jun.		X		0.1hr	0.4hr
*Initial unemployment claims (inverted)	Jun..	X			4.1%	13.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators,* (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



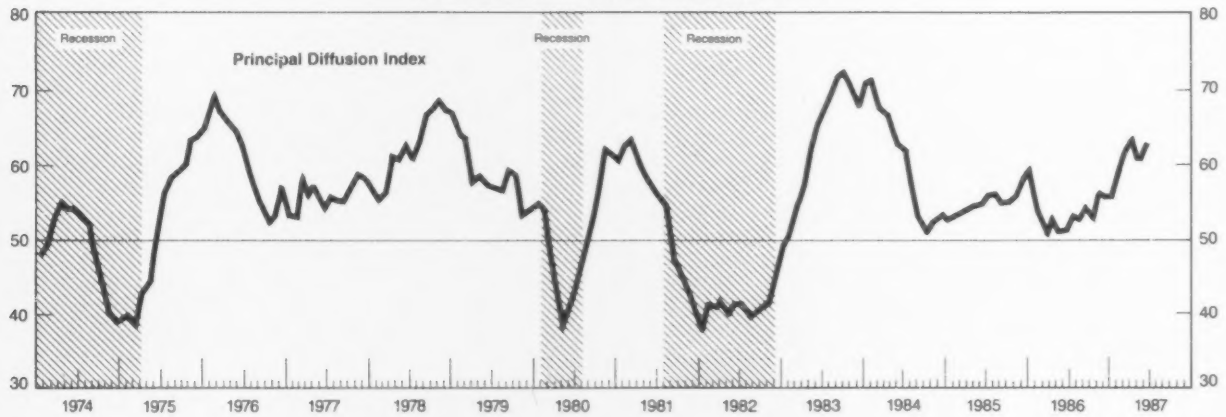
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1986 Jun.	1987 Mar.	Apr.	May	Jun.(e)
Principal Diffusion Index	52.0	62.0r	63.5r	62.0r	62.9
Auxillary Diffusion Index	52.1	59.3r	54.9r	45.0r	53.2
Industrial Group	47.3	60.5	60.8r	59.7r	60.4
Nonindustrial Group	56.6	63.5r	66.2r	64.2r	65.5
Sense of Diffusion	0	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	61.5	69.2	68.8r	68.8r	68.4
Labor	41.5	57.2	57.8	55.5r	54.4
Miscellaneous	40.4	55.8	56.4	56.4r	63.5
Nonindustrial Subgroups					
Prices	68.6	78.2	82.1r	85.3	88.5
Consumer	69.7	69.7r	73.9r	67.9	72.6
Building	36.2	50.0	50.6	44.2r	37.8
Miscellaneous	49.1	56.4	58.1	59.8r	61.5

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984 Aug.	Nov.	Feb.	1985 May	Aug.	Nov.	Feb.	1986 May	Aug.	Nov.	Feb.	1987 May
	Score (scale 0-100)											
Measure of Business Confidence	61	57	61	52	51	55	61	61	50	51	55	55
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	70	57	62	48	45	53	63	61	44	50	56	55
2. Expectations for Economy, Six Months Ahead	57	57	61	53	53	56	62	62	52	51	54	53
3. Expectations for Own Industry, Six Months Ahead	57	58	61	55	54	56	59	60	54	53	56	56

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

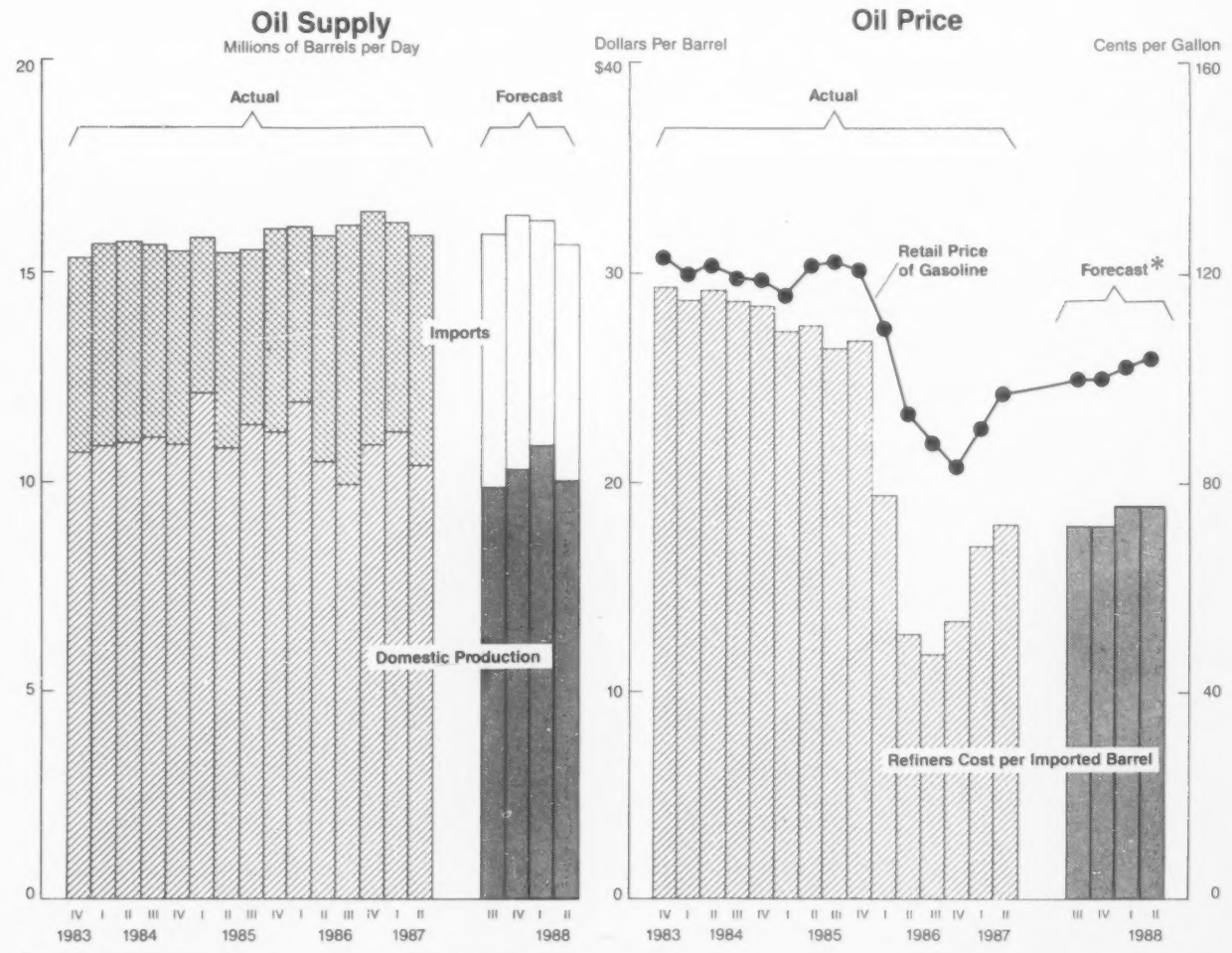
Billions of Dollars, Seasonally Adjusted

	1985		1986				1987	Percent Change From Previous Year	
	III	IV	I	II	III	IVr	Ip	Actual	Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	24.167	27.190	23.386	19.991	20.203	22.097	22.955	- 2	32
Capital expenditures	24.730	26.336	23.566	24.309	22.452	23.299	22.151	- 6	11
Change in appropriations backlog*	-2.702	-2.594	-2.368	-6.447	-5.060	-10.993	- 0.565		
Durable Goods									
New appropriations	12.031	12.005	11.613	9.578	10.051	10.807	10.431	- 3.5	26
Capital expenditures	12.299	12.676	11.479	11.880	12.186	12.915	12.088	- 6.4	7
Change in appropriations backlog*	-1.094	-3.063	-1.582	-3.824	-3.986	- 4.140	-2 537		
Nondurable Goods									
New appropriations	12.136	15.185	11.773	10.413	10.152	11.290	12.524	10.9	38
Capital expenditures	12.431	13.660	12.087	12.429	10.266	10.384	10.063	- 3.1	17
Change in appropriations backlog*	-1.608	+ 0.469	-0.786	-2.623	-1.074	- 6.853	+ 1.972		
ELECTRIC & GAS UTILITIES									
New appropriations	15.139r	5.093r	8.692r	9.084	5.094	5.044		+ 3	
Capital expenditures	9.366r	9.078r	8.417r	7.425	8.115	7.839		- 2.0	
Change in appropriations backlog*	+ 4.662r	-4.984r	-0.261r	+ 1.773	-7.325	-0.028			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

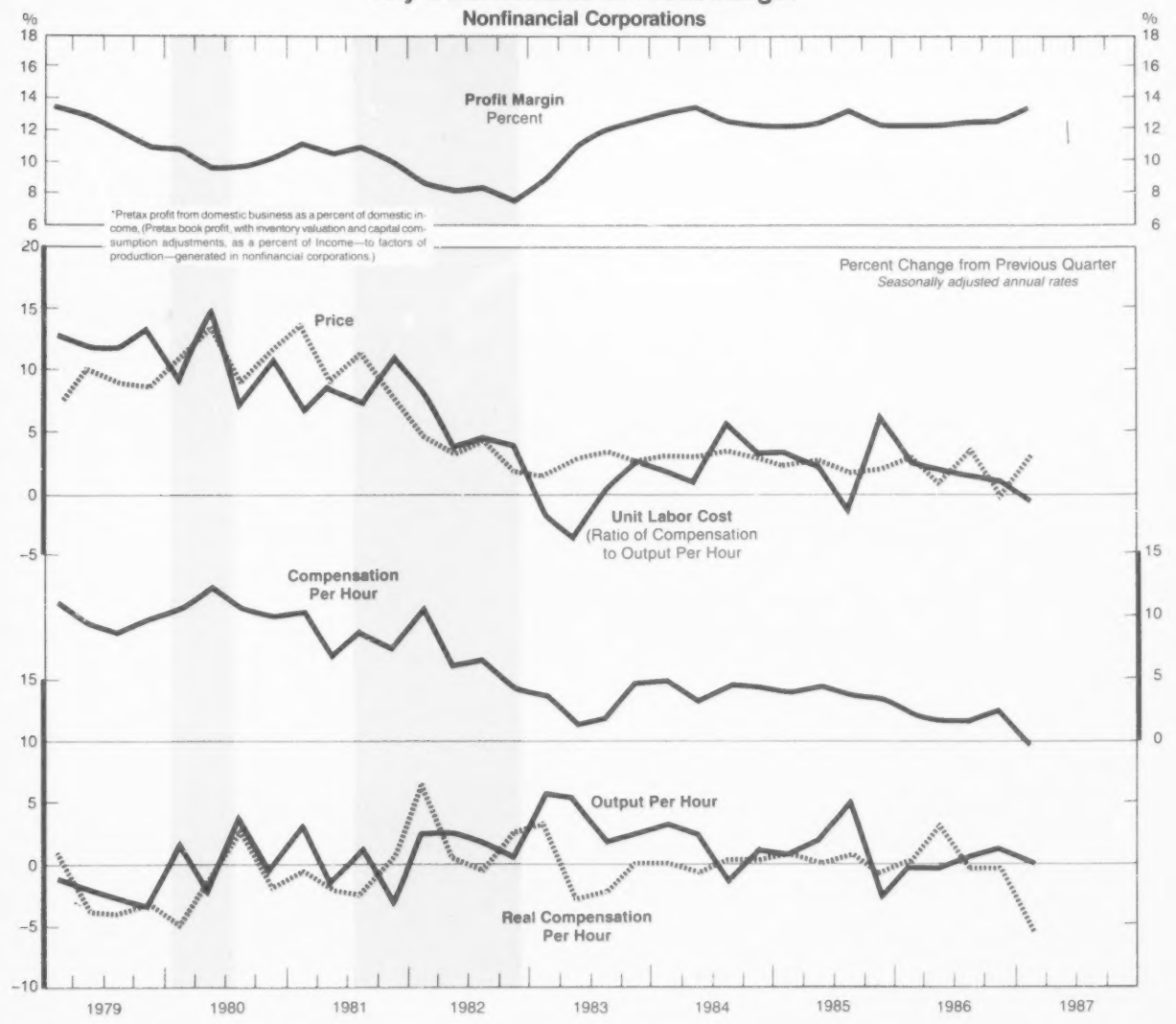
r—revised p—preliminary

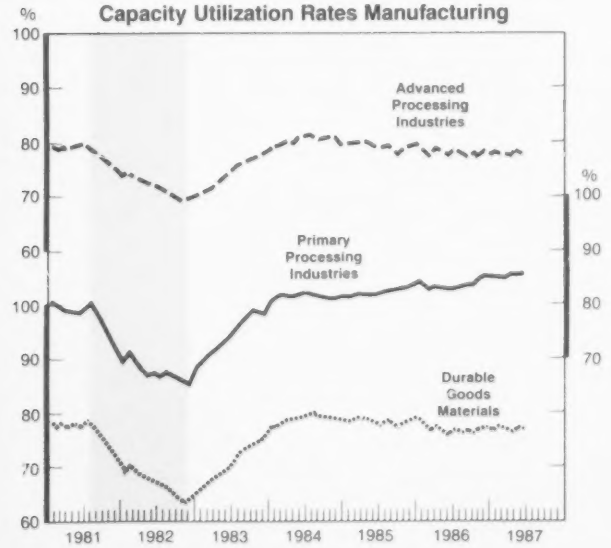
* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).

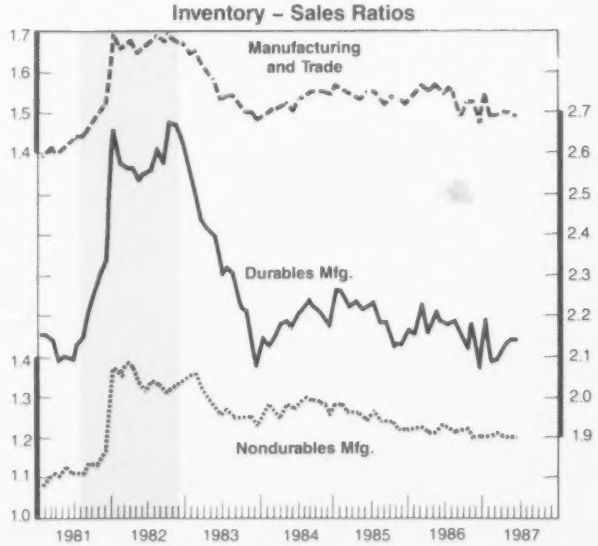


* Source of Forecast is The Energy Information Administration, Department of Energy.

Key Determinants of Profit Margin







ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Jul., 1987*		*Jul., 1987*		*Jul., 1987*		*Jul., 1987*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1987**	**II**	**$4448.8**	**6.7%**	**$4448.8**	**6.7%**	**$4448.8**	**6.7%**	**$4448.8**	**6.7%**
		III	4529.2	7.4	4517.2	6.3	4535.9	8.1	4524.7	7.0
		IV	4614.1	7.7	4586.2	6.3	4624.0	8.0	4606.3	7.4
	1988	I	4727.9	10.2	4671.0	7.6	4700.3	6.8	4684.3	6.9
		II	4818.0	7.8	4756.2	7.5	4782.7	7.2	4763.7	7.0
		III	4898.7	6.9	4845.3	7.7	4863.9	7.0	4840.8	6.6
		IV	4977.0	6.5	4937.1	7.8	4943.7	6.7	4917.4	6.5
	1989	I	5068.1	7.5	5031.4	7.9	5008.7	5.4	4983.6	5.5
		II	5157.8	7.3	5120.6	7.3	5070.3	5.0		
		III	5248.3	7.2	5153.7	2.6	5132.3	5.0		
	1987	Annual	4492.5	6.1	4482.5	5.8	4496.6	6.2	4489.4	6.0
	1988	Annual	4855.4	8.1	4802.4	7.1	4822.7	7.3	4801.6	7.0
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1987**	**II**	**$3796.4**	**2.6%**	**$3796.4**	**2.6%**	**$3796.4**	**2.6%**	**$3796.4**	**2.6%**
		III	3831.4	3.7	3816.1	2.1	3831.0	3.7	3824.3	3.0
		IV	3876.5	4.8	3834.3	1.9	3863.0	3.4	3848.3	2.5
	1988	I	3933.5	6.0	3856.6	2.3	3891.0	2.9	3872.3	2.5
		II	3969.9	3.8	3878.5	2.3	3917.0	2.7	3894.0	2.3
		III	3993.5	2.4	3901.2	2.4	3948.0	3.2	3914.3	2.1
		IV	4017.5	2.4	3924.7	2.4	3974.0	2.7	3932.8	1.9
	1989	I	4042.8	2.5	3940.6	1.6	3991.0	1.7	3941.6	0.9
	1989	II	4068.5	2.6	3951.6	1.1	4005.0	1.4		0.0
		III	4092.7	2.4	3921.9	-3.0	4019.0	1.4		
	1987	Annual	3819.1	2.8	3804.8	2.5	3815.7	2.8	3810.3	2.6
	1988	Annual	3978.6	4.2	3890.3	2.2	3932.5	3.1	3903.4	2.4
Gross National Product deflator Index, 1982 = 100										
Actual	**1987**	**II**	**117.2**	**3.4%**	**117.2**	**3.4%**	**117.2**	**3.4%**	**117.2**	**3.4%**
		III	118.2	3.6	118.4	4.1	118.4	4.2	118.3	3.9
		IV	119.0	2.7	119.6	4.2	119.7	4.5	119.7	4.8
	1988	I	120.2	4.1	121.1	5.1	120.8	3.7	121.0	4.3
		II	121.4	3.9	122.6	5.1	122.1	4.4	122.3	4.6
		III	122.7	4.4	124.2	5.2	123.2	3.6	123.7	4.4
		IV	123.9	4.0	125.8	5.2	124.4	4.0	125.0	4.5
	1989	I	125.4	4.9	127.7	6.1	125.5	3.6	126.4	4.6
	1989	II	126.8	4.6	129.6	6.1	126.6	3.6		
		III	128.2	4.7	131.4	5.8	127.7	3.5		
	1987	Annual	117.6	3.1	117.8	3.3	117.8	3.3	117.[illegible]	3.3
	1988	Annual	122.0	3.7	123.4	4.8	122.6	4.1	123.[illegible]	4.4
Unemployment Rate										
Actual	**1987**	**II**		**6.2%**		**6.2%**		**6.2%**		**6.2%**
		III		6.2		6.2		6.2		6.3
		IV		6.0		6.2		6.2		6.1
	1988	I		5.8		6.2		6.1		6.1
	1988	II		5.5		6.2		6.2		5.9
		III		5.4		6.2		6.2		5.9
		IV		5.3		6.1		6.4		6.1
	1989	I		5.3		6.1		6.6		6.2
		II		5.2		6.4		6.8		
		III		5.2		6.7		6.9		
	1987	Annual		6.3		6.3		6.3		6.3
	1988	Annual		5.5		6.2		6.2		6.0

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on preliminary first quarter data.

ECONOMIC FORECASTS (continued)

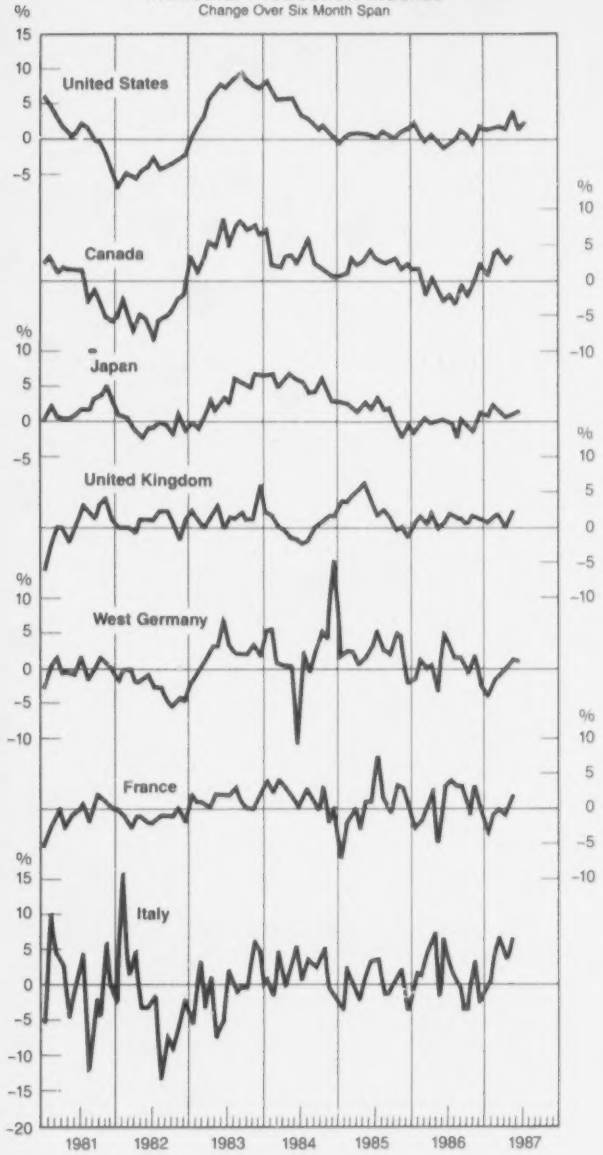
The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Jul., 1987		*Jul., 1987*		*Jul., 1987*		*Jul., 1987*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4448.8	**6.7%**	**$4448.8**	**6.7%**	**$4448.8**	**6.7%**	**$4448.8**	**6.7%**	**II**	**1987**	**Actual**
4526.0	7.1	4499.2	4.6	4514.7	6.1	4488.9	3.7	III		
4600.0	6.7	4576.1	7.0	4582.0	6.1	4585.1	8.9	IV		
4665.0	5.8	4660.8	7.6	4672.8	8.2	4678.9	8.4	I	1988	
4736.0	6.2	4731.1	6.2	4739.3	5.8	4771.4	8.1	II		
4818.0	7.1	4810.5	6.9	4801.2	5.3	4859.9	7.6	III		
4900.0	7.0	4888.3	6.6	4865.8	5.5	4947.5	7.4	IV		
		4972.5	7.1	4945.7	6.7	5033.3	7.1	I	1989	
		5045.8	6.0	5027.1	6.7	5114.3	6.6	II		
		5119.7	6.0	5110.3	6.8	5194.0	6.4	III		
4488.1	6.0	4475.5	5.7	4480.8	5.8	4475.1	5.7	Annual	1987	
4779.8	6.5	4772.7	6.6	4769.8	6.4	4814.4	7.6	Annual	1988	
								Gross National Product Billions of Constant (1982) Dollars		
$3796.4	**2.6%**	**$3796.4**	**2.6%**	**$3796.4**	**2.6%**	**$3796.4**	**2.6%**	**II**	**1987**	**Actual**
3822.7	2.8	3808.1	1.2	3817.2	2.2	3800.1	0.4	III		
3842.9	2.1	3838.0	3.2	3848.3	3.3	3843.7	4.7	IV		
3855.4	1.3	3861.9	2.5	3887.9	4.2	3881.1	3.9	I	1988	
3872.4	1.8	3885.6	2.5	3907.6	2.0	3917.1	3.8	II		
3895.4	2.4	3915.6	3.1	3919.6	1.2	3944.5	2.8	III		
3920.0	2.6	3945.9	3.1	3937.8	1.9	3967.1	2.3	IV		
		3974.0	2.9	3958.9	2.2	3986.5	2.0	I	1989	
		3999.8	2.6	3983.6	2.5	4001.4	1.5	II		
		4026.2	2.7	4008.2	2.5	4014.0	1.3	III		
3808.6	2.6	3803.7	2.4	3808.5	2.6	3803.1	2.4	Annual	1987	
3885.8	2.0	3902.3	2.6	3913.2	2.7	3927.5	3.3	Annual	1988	
								Gross National Product deflator Index, 1982 = 100		
117.2	**3.4%**	**117.2**	**3.4%**	**117.2**	**3.4%**	**117.2**	**3.4%**	**II**	**1987**	**Actual**
118.4	4.2	118.1	3.3	118.3	3.8	118.1	3.3	III		
119.7	4.5	119.2	3.7	119.1	2.7	119.3	4.0	IV		
121.0	4.4	120.7	5.0	120.2	3.8	120.6	4.3	I	1988	
122.3	4.4	121.8	3.6	121.3	3.7	121.8	4.2	II		
123.7	4.6	122.9	3.6	122.5	4.0	123.2	4.7	III		
125.0	4.3	123.9	3.4	123.6	3.6	124.7	5.0	IV		
		125.1	4.1	124.9	4.5	126.3	5.0	I	1989	
		126.2	3.3	126.2	4.1	127.8	5.0	II		
				127.5	4.2	129.4	5.1	III		
117.8	3.3	117.7	3.2	117.6	3.2	117.7	3.2	Annual	1987	
123.0	4.4	122.3	3.9	121.9	3.6	122.6	4.2	Annual	1988	
								Unemployment Rate		
	6.2%		**6.2%**		**6.2%**		**6.2%**	**II**	**1987**	**Actual**
	6.2		6.1		6.3		6.3	III		
	6.2		6.1		6.2		6.1	IV		
	6.5		6.1		6.1		6.0	I	1988	
	6.7		6.2		6.0		5.8	II		
	6.7		6.2		5.9		5.8	III		
	6.6		6.2		6.0		5.7	IV		
			6.1		6.0		5.7	I	1989	
			6.2		6.0		5.9	II		
			6.2		5.9		6.1	III		
	6.3		6.3		6.3		6.3	Annual	1987	
	6.6		6.2		6.0		5.8	Annual	1988	

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes in LOTUS and other formats. For more information, contact Linette Waters at (212) 759-0900.

Selected International Comparisons

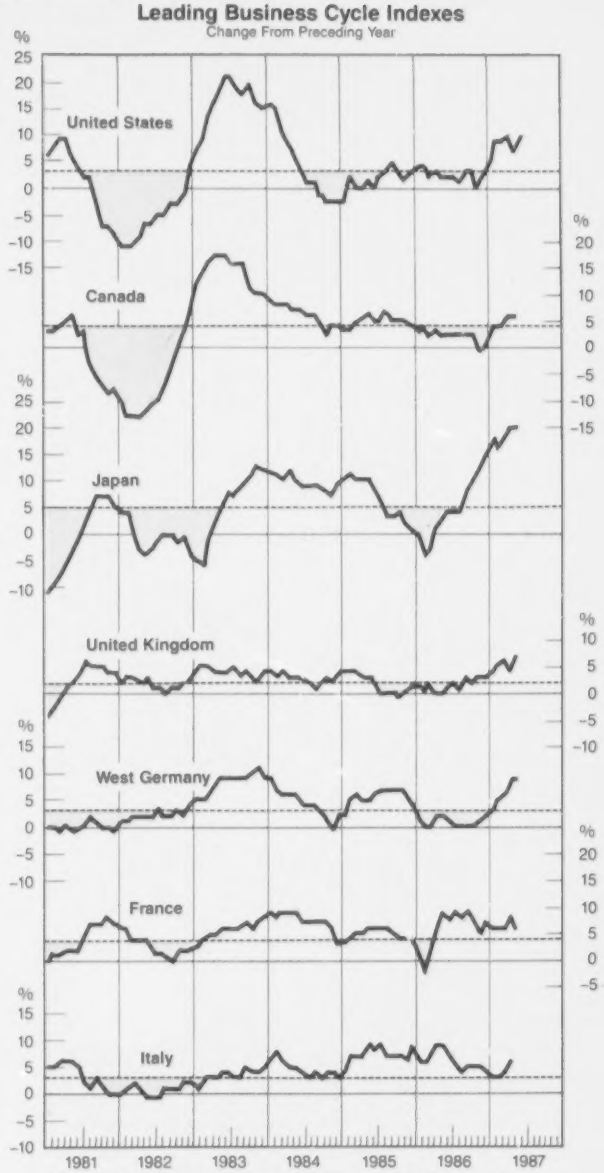
Industrial Production Indexes

Change Over Six Month Span



Leading Business Cycle Indexes

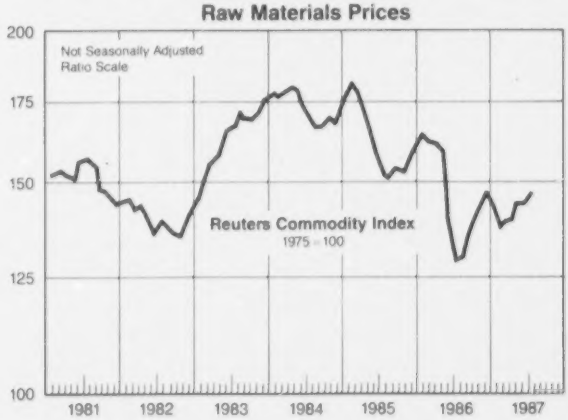
Change From Preceding Year



Source: Center for International Business Cycle Research, Columbia University

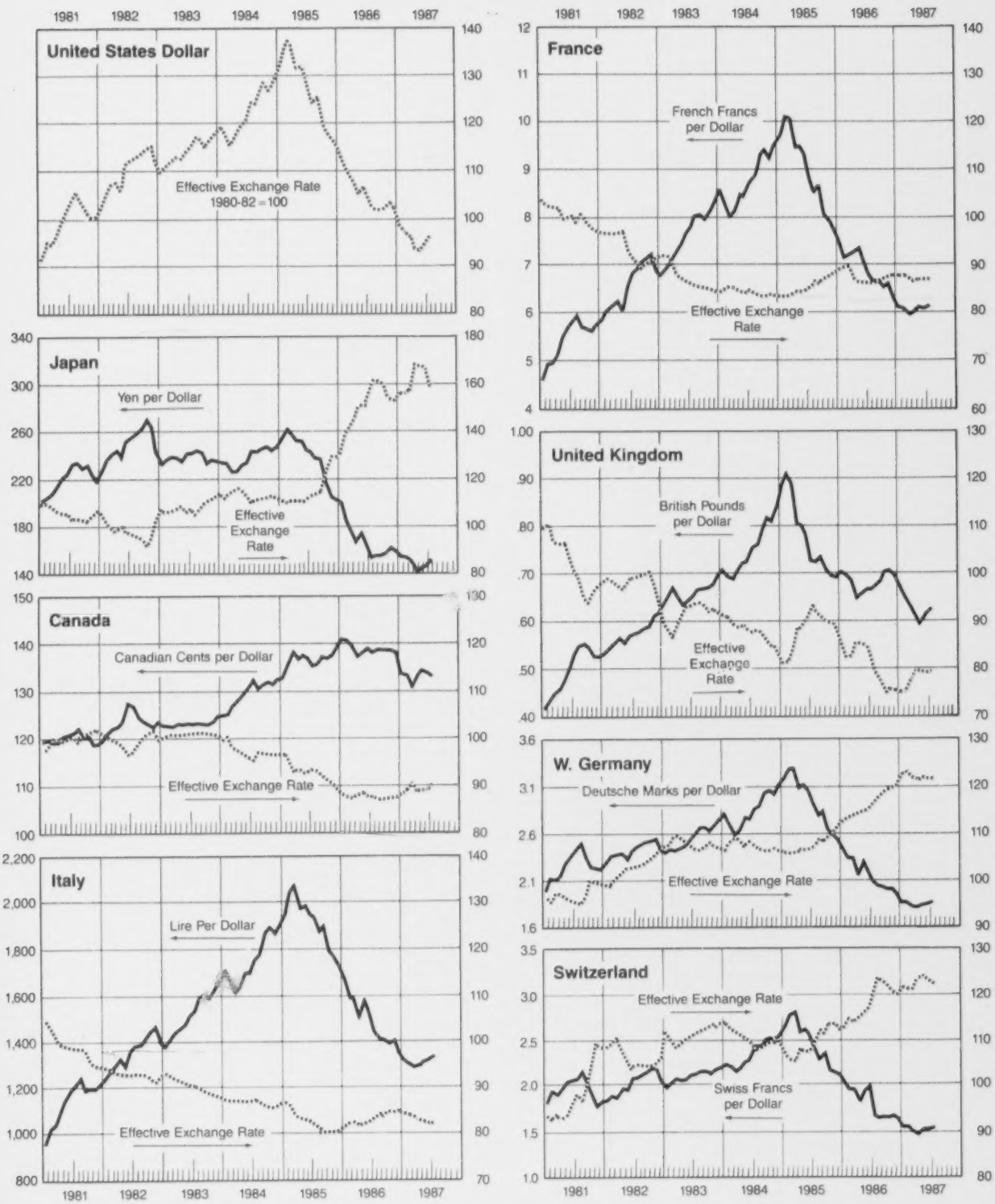
Merchandise Trade: Value of Exports

Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

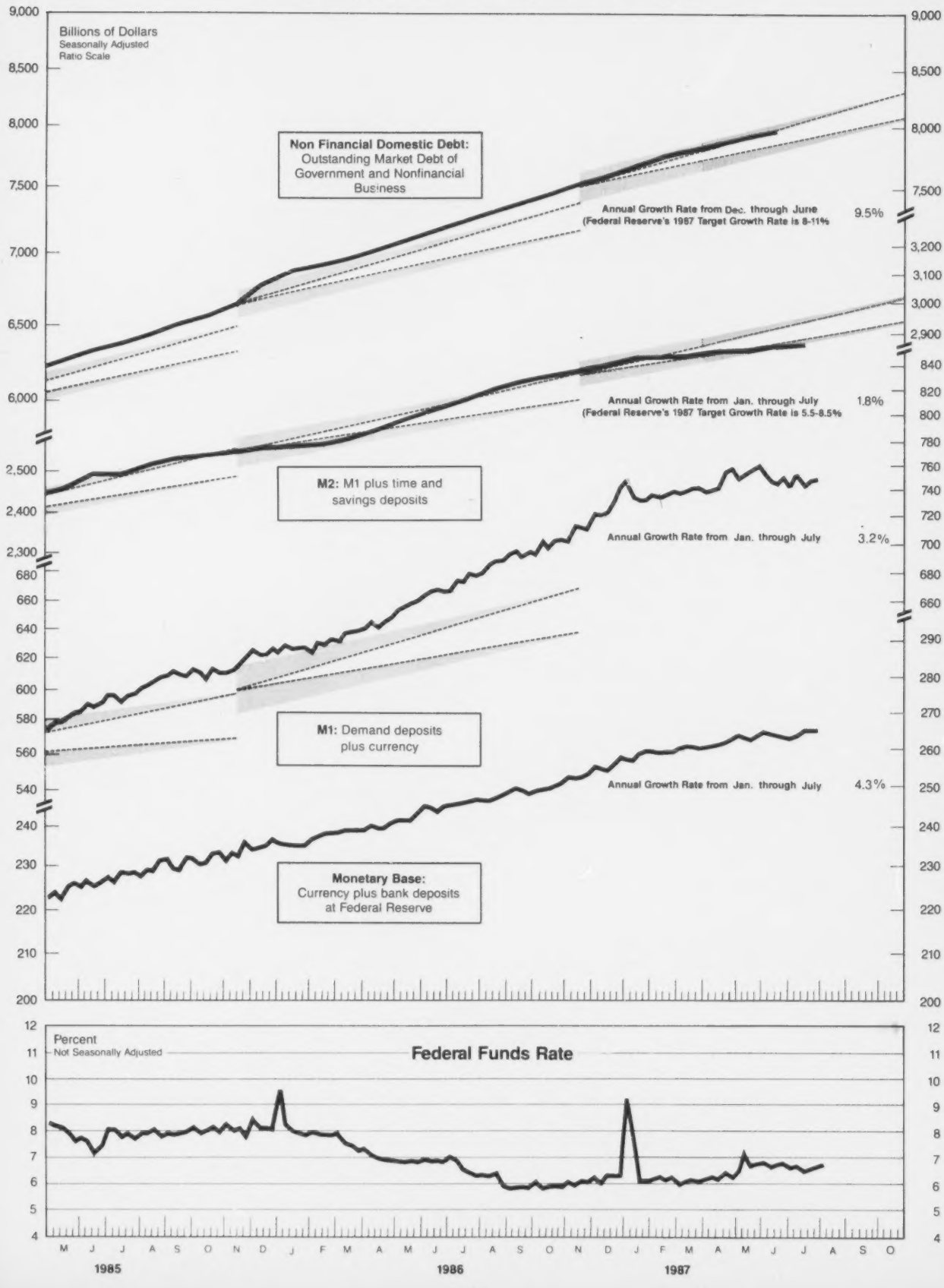
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987	Fiscal 1988	
	Actual	Administration's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate
		(1/5/87)	(1/5/87)	(6/17/87)
Receipts	**$769.1**	**$842.4**	**$916.6**	**$ 918.1**
Outlays	**989.8**	**1,015.6**	**1,024.3**	**1,055.5**
Deficit	**-220.7**	**-173.2**	**-107.8**	**-137.4**
Receipts by source	**$769.1**	**$842.4**	**$916.6**	**$ 918.1**
Individual income	349.0	364.0	392.8	
Social security	283.9	301.5	333.2	
Corporate income	63.1	104.8	117.2	
Other receipts	73.1	72.1	73.4	
Outlays by function	**$989.2**	**$1,015.6**	**$1,024.2**	**$1,055.5**
National defense	273.4	282.2	297.6	289.5
Social security	269.0	279.5	292.4	302.4
Income security	119.8	124.9	124.8	131.5
Health	35.9	39.7	38.9	44.9
Education & manpower	29.7	29.8	28.4	32.9
Veterans benefits	26.4	26.7	27.2	27.4
Transportation	28.1	27.0	25.5	28.3
Agriculture	31.4	31.1	26.3	28.6
International affairs	14.2	14.6	15.2	16.1
Natural resources	13.6	13.9	14.2	15.1
General science	9.0	9.5	11.4	11.1
Justice	6.6	8.3	9.2	9.4
General government	6.1	6.8	7.5	7.2
Community development	7.5	6.2	5.5	6.6
Commerce, Housing credit	4.4	9.3	2.5	7.8
Energy	4.7	3.8	3.3	4.6
Revenue sharing	6.4	1.9	1.5	1.8
Interest	136.0	137.5	139.0	139.3
Allowances	0.0	0.0	- 0.8	- 0.7
Offsetting receipts	- 33.0	- 37.1	- 45.4	- 47.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP				
Current Dollar	**$4,218**	**$4,393**	**$4,816**	**$4,779**
Constant (1982) Dollar	**3,681**	**3,794**	**3,928**	**3,898**
Percent change in				
Current dollar	5.5%	6.5%	7.2%	6.9%
Constant (1982) dollar	2.7	3.1	3.5	3.0
Implicit price index	2.8	3.3	3.5	3.8
Consumer price index	1.6	3.0	3.6	4.3
91-Day T bill rate	6.0	5.4	5.6	5.6
Unemployment rate	6.9	6.7	6.3	6.5

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
Non Financial Domestic Debt: Outstanding Market Debt of Government and Nonfinancial Business
Annual Growth Rate from Dec. through June 9.5%
(Federal Reserve's 1987 Target Growth Rate is 8-11%
Annual Growth Rate from Jan. through July 1.8%
(Federal Reserve's 1987 Target Growth Rate is 5.5-8.5%
M2: M1 plus time and savings deposits
Annual Growth Rate from Jan. through July 3.2%
M1: Demand deposits plus currency
Annual Growth Rate from Jan. through July 4.3%
Monetary Base: Currency plus bank deposits at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
1985
1986
1987

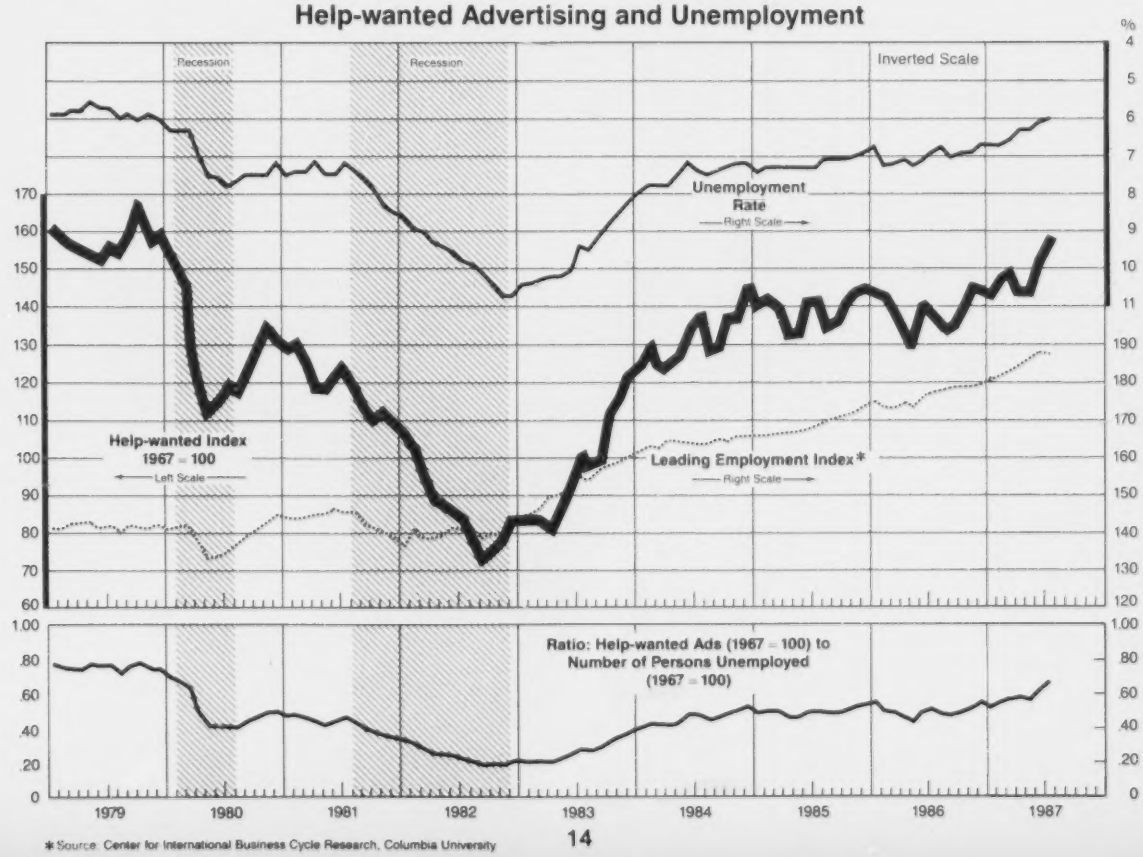
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1987 Jun.	1987 May	1987 Apr.	1986 Jun.
National Index	154	144r	144	141
New England	193	181r	183	171
Boston	189	185	183	178
Hartford	196	187	192	171
Providence	202	162r	174	148
Middle Atlantic	92	83	82	80
Albany	265	200	194	192
Allentown	374	306	302	249
New York	67	64	64	62
Philadelphia	79	70	70	72
Pittsburgh	89	85	82	83
Rochester	93	82	83	86
Syracuse	151	135	123	140
East North Central	105	98r	94	96
Chicago	118	111	105	101
Cincinnati	156	148	145	153
Cleveland	71	63	59	67
Columbus	184	173	158	163
Dayton	86	85	81	97
Detroit	56	56	55	65
Gary	179	151	129	140
Indianapolis	125	113r	110	109
Milwaukee	72	61	67	57
Toledo	122	123	124	122
West North Central	96	92	89	94
Kansas City	144	140	129	169
Minneapolis	85	80	79	65
Omaha	139	138	137	121
St. Louis	68	63	63	70
South Atlantic	213	189r	203	203
Atlanta	277	259	251	289
Baltimore	226	180r	284	249
Charlotte	199	186	183	159
Jacksonville	267	238	235	221
Miami	108	96	96	87
Richmond	174	161	147	149
Washington, D.C.	215	194	184	192
East South Central	172	150	168	152
Birmingham	167	110	147	161
Knoxville	260	270	255	203
Louisville	102	83	78	90
Memphis	147	144	142	137
Nashville	240	210	276	206
West South Central	167	155	151	175
Dallas	158	136	139	196
Houston	227	215	205	217
New Orleans	115	113	109	109
Oklahoma City	119	102	101	117
San Antonio	144	142	143	166
Tulsa	140	130	116	130
Mountain	315	302r	276	292
Denver	197	181	172	172
Phoenix	442	431r	408	439
Salt Lake City	363	353	294	319
Pacific	233	231r	230	203
Los Angeles	164	156	158	141
Sacramento	443	461	449	378
San Bernadino	272	272	281	228
San Diego	560	531	536	464
San Francisco	235	239r	230	212
Seattle	217	226	219	198
Percentage of papers with rising volume	90	73r	18	96
Unemployment rate	6.1	6.3	6.3	7.1

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



*Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	103.9	101.0	101.1	106.1	104.8	105.8	100.4	103.1	100.0	99.1	105.4	97.0
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1r	105.8p					

Buying Plans Index

1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1	98.7	89.7	113.4	94.5r	93.5p					

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

Consumer Confidence and Expectations

CBDB

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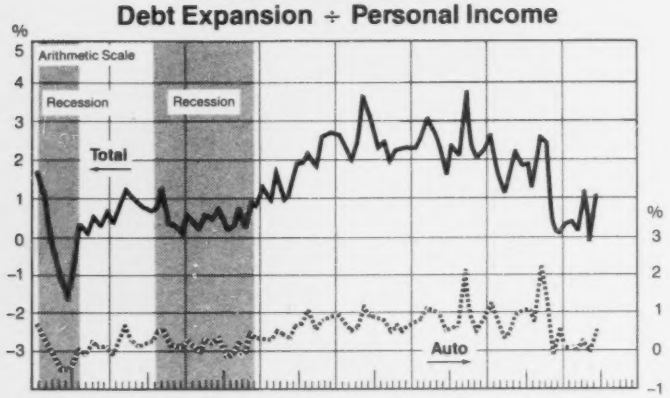
Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales

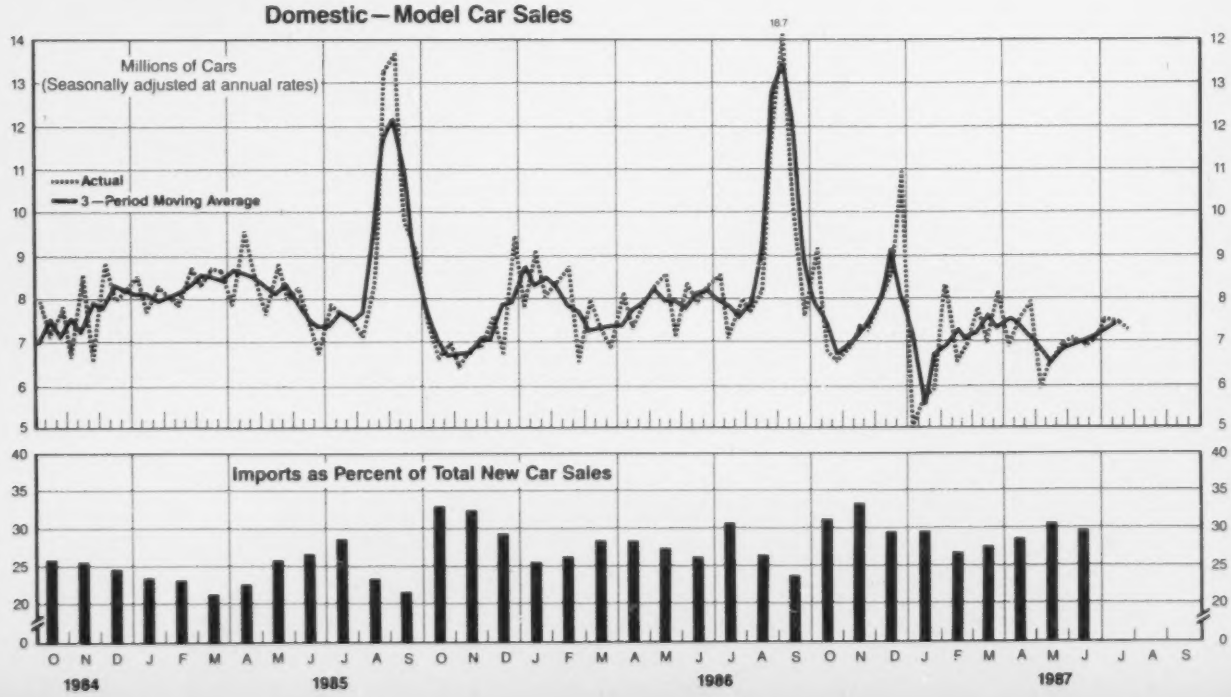
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1984	1985	1986	1987
January:	1-10	8.16	8.46	7.76	4.78
	11-20	7.84	7.66	9.05	5.71
	21-31	9.15	8.23	8.02	5.95
February:	1-10	7.79	8.01	8.36	8.26
	11-20	9.17	7.84	8.71	6.46
	21-28(29)	7.60	8.69	6.47	6.87
March:	1-10	7.35	8.27	7.93	7.76
	11-20	8.13	8.73	7.23	6.95
	21-31	7.35	8.67	6.81	8.13
April:	1-10	8.88	7.84	8.06	6.85
	11-20	7.96	9.48	7.25	7.52
	21-30	8.60	8.42	7.92	7.89
May:	1-10	8.19	7.60	8.30	5.93
	11-20	7.74	8.78	8.57	6.44
	21-31	8.43	7.96	7.09	6.96
June:	1-10	7.22	8.21	8.27	6.95
	11-20	8.25	7.51	7.84	7.03
	21-30	8.10	6.71	8.30	7.45
July:	1-10	9.51	7.81	8.50	7.42
	11-20	8.32	7.63	7.03	7.29
	21-31	8.59	7.57	7.96	
August:	1-10	7.33	7.09	7.64	
	11-20	8.07	8.30	8.19	
	21-31	7.43	13.23	11.65	
September:	1-10	8.13	13.64	18.67	
	11-20	8.52	9.70	9.87	
	21-30	6.03	9.10	7.58	
October:	1-10	7.83	7.40	9.07	
	11-20	7.07	6.57	6.72	
	21-31	7.70	6.92	6.51	
November:	1-10	6.60	6.40	6.80	
	11-20	8.44	6.81	7.32	
	21-30	6.57	6.91	7.23	
December:	1-10	8.75	7.56	7.95	
	11-20	7.96	6.69	8.54	
	21-31	8.19	9.31	10.93	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales


Millions of Cars
(Seasonally adjusted at annual rates)
Actual
3—Period Moving Average
18.7
Imports as Percent of Total New Car Sales
O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S
1984
1985
1986
1987